

Company announcement

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Nilfisk reports Q2 2023 results: Strong growth in Service and Professional led to solid organic growth of 4.3% in Q2 2023, EBITDA margin improved to 13.7%

Nilfisk, a leading global provider of professional cleaning products and services, reported its Q2 2023 results today with total revenue of 276.5 mEUR, up from 272.0 mEUR in Q2 2022.

- Organic growth was solid at 4.3% in Q2 2023, compared to 2.8% in Q2 2022
- The gross margin reached 40.4% in the quarter, up from 38.8% in Q2 2022
- The overhead cost ratio came to 32.1% in Q2 2023, up from 31.5% in Q2 2022
- The EBITDA margin before special items increased to 13.7% in Q2 2023, up from 12.7% in Q2 2022
- Free cash flow improved significantly by 29.0 mEUR from Q2 2022 to 40.1 mEUR in Q2 2023
- NIBD declined by 76.0 mEUR from Q2 2022 and stood at 291.5 mEUR at the end of Q2 2023
- Gearing at the end of Q2 2023 was 2.2 versus 2.7 a year ago
- The full year outlook for 2023 is reconfirmed.

The 4.5 mEUR increase in revenue to 276.5 mEUR came from the Service and Professional businesses, which delivered organic growth of 12.3% and 3.7%, respectively. This was partly offset by lower revenue from the Consumer and Specialty businesses, where organic revenue growth declined 7.8% and 5.3%, respectively.

Revenue from the Americas region grew by 17.8% from price management and increased shipments compared to Q2 2022, which was impacted by a tornado that destroyed Nilfisk's US Distribution Center. The slowdown in Europe continued, leading to an organic decline in revenue in EMEA of 4.3% in comparison with a strong Q2 2022. Revenue from APAC grew 19.1% organically, benefitting from the re-opening of China after COVID-19 lockdowns and from solid demand in New Zealand and Australia.

Commenting on the results, Reinhard Mayer, CFO of Nilfisk said:

"We delivered a set of solid results with an organic growth of 4.3% and an EBITDA margin of 13.7% in the second quarter of 2023. The Americas region provided the strongest improvement in revenue due to the Mexican production challenges solved and easing of the supply constraints. In our Americas plants, output grew steadily in the quarter."

Reinhard Mayer, CFO continued:

“Our Service and Professional businesses performed well, benefiting from our continued strategic focus. The demand for our Floorcare products remained solid in Americas and APAC. The order book remained elevated, primarily for our industrial range in Americas, however as the easing of supply chain and capacity constraints continue, we translate more of the order book into revenue. We still feel some market slowdown, mainly in the EMEA region, where demand has softened.”

The continued improvement in gross margin was driven by price management, lower freight costs for overseas shipment, material cost improvements, and product mix effects mitigating the negative impact of cost inflation and lower volumes. We also saw a negative mix effect from higher share of revenue from Americas.

Overhead costs increased by 3.1 mEUR from Q2 2022 but was lower than the level seen in Q1 2023.

The structural efficiency measures announced with the Q1 2023 results were to a large extent implemented in June 2023. As a result, overhead costs are expected to decline in the second half of 2023. The aim is to enable strong long-term performance while harvesting substantial overhead cost savings. In Q2 2023, 4.0 mEUR of special items were recorded in connection with the structural efficiency measures.

The improvement in free cash flow was driven by lower working capital, including effects from factoring, and positive net financial items of 3.7 mEUR driven by the realization of a 2-year interest cap instrument. Investments into Business Plan 2026 continued in Q2 2023 according to plan.

Net interest-bearing debt was lowered by 76.0 mEUR from Q2 2022, primarily driven by lower net working capital. Gearing at the end of Q2 2023 stood at 2.2, down 0.5 compared to prior year, and slightly below the level of 2.3 at year-end 2022.

Key figures

mEUR	Q2 2023	Q2 2022
Revenue	276.5	272.0
Organic growth	4.3%	2.8%
Gross margin	40.4%	38.8%
Overhead cost ratio	32.1%	31.5%
EBITDA before special items	38.0	34.5
EBITDA margin before special items	13.7%	12.7%
CAPEX ratio	2.1%	2.4%
Free cash flow	40.1	11.1
Net interest-bearing debt	291.5	367.5
Financial gearing	2.2	2.7

Outlook for 2023

We confirm the full-year outlook as communicated in the Annual Report 2022. We expect that the current macroeconomic uncertainty will continue into the second half of 2023, leading to some volume decline, particularly in the European market.

The range for organic revenue growth is expected to be -2% to 2%. Negative organic growth for the full year of 2023 would require a worsening of current trading conditions.

The range for the EBITDA margin before special items is expected to be 12% to 14%.

Conference call

Nilfisk will host a conference call today at 10:00 am CEST. Presentation materials will be available on the website prior to the conference call.

Please pre-register no later than 9:55 by using the link below for the phone conference:

<https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=3156864&linkSecurityString=467aa5780>

The video will be available for viewing after the event along with the presentation from the day on:

<https://investor.nilfisk.com/>

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Forward-looking statements

Statements made about the future in this report reflect the Executive Management Board's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from expectations, due to economic and financial market developments, legislative and regulatory changes in markets that the Nilfisk Group operates in, development in product demand, competitive conditions, energy and raw material prices, and other risk factors. Nilfisk Holding A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.